

## **MPC – MIGRATION POLICY CENTRE**

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***The role of migration in shaping  
China's economic relations  
with its main partners***

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**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE**  
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**MIGRATION POLICY CENTRE (MPC)**

**The role of migration in shaping  
China's economic relations with its main partners**

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## **The Migration Policy Centre (MPC)**

### Mission statement

The Migration Policy Centre at the European University Institute, Florence, conducts advanced research on global migration to serve migration governance needs at European level, from developing, implementing and monitoring migration-related policies to assessing their impact on the wider economy and society.

### Rationale

Migration represents both an opportunity and a challenge. While well-managed migration may foster progress and welfare in origin- as well as destination countries, its mismanagement may put social cohesion, security and national sovereignty at risk. Sound policy-making on migration and related matters must be based on knowledge, but the construction of knowledge must in turn address policy priorities. Because migration is rapidly evolving, knowledge thereof needs to be constantly updated. Given that migration links each individual country with the rest of the world, its study requires innovative cooperation between scholars around the world.

The MPC conducts field as well as archival research, both of which are scientifically robust and policy-relevant, not only at European level, but also globally, targeting policy-makers as well as politicians. This research provides tools for addressing migration challenges, by: 1) producing policy-oriented research on aspects of migration, asylum and mobility in Europe and in countries located along migration routes to Europe, that are regarded as priorities; 2) bridging research with action by providing policy-makers and other stakeholders with results required by evidence-based policy-making, as well as necessary methodologies that address migration governance needs; 3) pooling scholars, experts, policy makers, and influential thinkers in order to identify problems, research their causes and consequences, and devise policy solutions.

The MPC's research includes a core programme and several projects, most of them co-financed by the European Union.

Results of the above activities are made available for public consultation through the website of the project: [www.migrationpolicycentre.eu](http://www.migrationpolicycentre.eu)

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## 1. Introduction

It is well known that overseas Chinese<sup>1</sup> have significantly contributed to the success of China's economic development during the past 30 years, especially during the first stage of the economic liberalization process<sup>2</sup>. They have been the major source of China's inward foreign direct investment (FDI), technology, management know-how and expertise about the international markets (Gao, 2003, Huang et al., 2008, Smart and Hsu, 2004). The contribution of ethnic Chinese communities to the national economic development in Southeast Asian countries has also been very well documented and their cross-board business and entrepreneurial networks are considered as one of the most important factors for the regional economic integration in Southeast Asia (Yeung, 1999, Yeung and Olds, 2000, Zhang and Van Den Bulcke, 2000, Zhuang and Wang, 2010). Have the ethnic communities and migration flows from China contributed to the international trade and foreign direct investment between China and their recipient countries<sup>3</sup>? The answer to this question is crucial for a better understanding of the role of the Chinese migration and ethnic Chinese communities in the trade and investment relations between China and its partner countries.

This chapter studies the key feature and trends of China's international immigration and analyses its impact on the trade and FDI flows between China and its major partner countries. The main focus is to exam possible interaction between trade, FDI and migration flows and to assess the role of Chinese ethnic communities and migration in facilitating these economic exchanges. The impact of Chinese migration/ethnic communities on host economies, especially with regard to the labour market will also be briefly examined. This study consists of four sections. After this introduction, the second section provides a literature review on the interaction between migration, trade and FDI on the one hand and the impact of migrants or international entrepreneurs on the economic development of the host country on the other hand. The third section provides empirical evidence about the economic relations between China and its main partner regions, such as Europe and Africa. The migration from China to these regions will be studied, especially with regard to its changing characteristics during last decades. The interaction between Chinese migration and trade and FDI flows in these regions and their evolving features will be analysed at regional/key country level. The concluding section will discuss about the main findings and their policy implication for host countries.

## 2. Literature review

The literature review is carried out to answer the main research questions of this study from theoretical and empirical perspective, such as 1) Is there a co-relation between trade/FDI and migration flows? 2) Is there evidence that the co-relation between Chinese OFDI/trade and migration differs because of specific contextual and time factors? 3) Is there evidence of an active role of Chinese migrants and diaspora networks in attracting the Chinese FDI and trade flows to recipient countries? 3) What are the

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<sup>1</sup> In this study, "Overseas Chinese" refers to ethnic Chinese residing outside of China, Taiwan and Hong Kong, regardless of citizenship.

<sup>2</sup> During the first decade of China's opening to the world, China received US\$9546.5 million of foreign direct investments (FDI), of which US\$9254.16 million came from the Chinese overseas, and US\$292.34 million came directly from the Southeast Asian Chinese (Zhuang and Wang, 2010).

<sup>3</sup> The definitions of migrants vary among different data sources, and between datasets and law. Among different possibilities, migrants may be defined as foreign-born, foreign-nationals, or people who have moved to the recipient country for a year or more. In this study, Chinese migrants are defined as Chinese nationals move into a foreign country to stay temporarily (sometimes for as little as a year) or to settle for the long-term. The *Chinese migrants* are considered as a "flow of individuals" during a given year, while the *Chinese ethnic community* is the accumulated number or "stock" of migrants and their decedents" who already reside in the recipient country. These two terms commonly used interchangeably in this study, although their definitions are quite distinctive.

channels/mechanism through which Chinese migrants and diaspora networks ensure this function? 5) What is the impact of Chinese OFDI and its inter-relationship with China's migration/ethnic communities on the economic development of host countries, especially at micro-level? The first two questions deal with the interaction between the trade, FDI and migrant flows at the macro-economic level, while the last three questions focus on the mechanisms through which the migrants and ethnic communities affect the host country at micro-economic level.

## 2.1. Migration, trade and FDI flows

In a neo-classical trade-theoretic framework, the relationship between migration and trade as well as between migration and FDI is a relationship of substitutability. The trade flows contributes to the equalization of factor price and therefore lowers incentives for factor mobility. On the other hand, the movement of factors reduces price differentials and, therefore the scope for trade. From the same perspective, the capital is expected to flow to where the type of labour used intensively in production is abundant and, other things equal, workers will supply their labour services where the highest salary can be obtained. Through such mechanisms, migration and FDI are substitute ways to match workers and employers located in different countries. Seen from the perspective of a given location, the migration and FDI flows move in opposite directions, e.g. immigration and outward FDI or vice versa. However, this neo-classical approach neglects to some extent the potential for migration to favour trade and FDI through a reduction in bilateral transaction costs, as emphasized by recent literature on migration and diaspora networks (Aubry et al., 2012).

The evidence on globalization indicated that the international trade has risen dramatically in recent decades, and the growth of FDI and skilled migration is even more pronounced. The linkages among these various dimensions of globalization are rather complementary than a substitution (Aubry et al., 2012), i.e. migration and FDI move in the same direction (Navaretti et al., 2007, Kugler and Rapoport, 2006). The study which focuses on the "complementary relation" between the migration and FDI, i.e. the impact of immigration on inward FDI from the home country of these migrants, is based on the effect of agglomeration and networks. Given the fact that migrants participate in the labour force in the destination country, they can both convey information on their home country (including the quality of its workforce and institutions) and develop business networks favouring economic transactions between their home and host countries.

Recent literature suggests that migrants may facilitate the development of social and business networks which may improve the exchanges between their countries of origin and countries of destination by providing information and matching services that the market and the price system may fail to supply. The community of migrants has been increasingly recognized as an important factor in overcoming informal barriers to international trade, which consist of, e.g. a shortage of information about international trading opportunities, a lack of knowledge on export markets, a weak international legal environment for contract enforcement, etc. (Rauch and Trindade, 2002). Two mechanisms have been identified for the business and social networks in general, and ethnic Chinese networks in particular, to promote international trade and investment. First, the ethnic Chinese networks facilitate information sharing via formal and informal contact. In the case of trade, information sharing helps to match buyers and sellers, while in the case of foreign direct investment, it helps to identify the potential investment opportunities. Migrants are well placed to act as middlemen on account of their superior language skills, and their knowledge of consumer preferences, business practices, market structure and laws. Second, migrant business networks may help with contract enforcement by way of enforcement of community sanctions, which could avoid opportunistic behaviour such as contract violation (Song, 2011).

Empirical studies have consistently found that migrants have increased trade and investment between their country of residence and country of birth. By taking account of the role of expatriate communities, Ben's rigorous analysis showed that a 1 per cent increase in the number of migrants

increases trade between their country of residence and country of birth by 0.09 per cent, and that this is roughly half the effect that would be estimated if the size of expatriate communities was ignored. Similar analysis of foreign investment suggests that a 1 per cent increase in the number of migrants increases investment between their country of residence and country of birth by around 0.15 per cent. Empirical studies consistently found a positive association between migration and international trade (Combes et al., 2005, Ben, 2008, Gould, 1994, Head, 1998, Rauch, 2001, Rauch, 1999, Girma and Yu, 2002) as well as between migration and FDI ((Buch et al., 2006b, Bhattacharya and Groznik, 2005, Javorcik et al., 2011, Javorcik et al., 2006, Kugler and Rapoport, 2007). Specific studies on Chinese migrants and ethnic Chinese networks also confirmed a considerable impact on international trade and FDI between China and their countries of destination (Rauch and Trindade, 2002, Tong, 2005).

The common finding of the growing body of recent studies indicates that the social and business networks of migrants in the host country can help to increase FDI from the country of origin of the migrants by stimulating information flows across international borders and by serving as a contract enforcement mechanism, while the growth in the relative presence of an immigrant community leads to new FDI from those immigrants' native countries (Javorcik et al., 2011, Foad, 2012). Foad's study (2012) suggests that the effect is not immediately seen, and in fact the contemporaneous relationship between immigration and FDI may be negative. However, the immigrant network effect on FDI kicks in within a few years and is remarkably persistent. From the point of view of a recipient country, the migration could strengthen the complementarity effect, particularly, when considering skilled migrants. The presence of a large migrant community may lead to the setting up of international schools, making a location attractive for foreign firms and their foreign managers. The presence of high tech foreign companies makes a given location more attractive for foreign engineers also.

The empirical studies also showed that cross-border co-ethnic networks which are created by migrants with their home countries have been increasingly emphasized as determinant factors in the success of some countries in the development of their international business activities. For instance, ethnic Indians working in Silicon Valley facilitated the development of a large ICT service export industry in India by improving business networks and establishing a reputation for Indian ICT workers (Saxenian, 2002), while the community of overseas Chinese in Southeast Asia has positively contributed to China's inward internationalization process (Weidenbaum and Hughes, 1996). Another study on the interactions between migration and the bilateral FDI of four European countries, Germany, Italy, France and the U.K. showed that the stocks of immigrants have a stronger influence on the FDI going to the developing countries.

## **2.2. Ethnic communities and international entrepreneurs**

The literature about FDI and migration focuses on the link between ethnic networks and FDI, and their respective impact. Especially the effects on the geographical agglomeration of foreign companies, their organisational structural and management practices are dealt with. The theoretical analysis of FDI and multinational enterprises, especially the transaction cost approach, suggests that the choice of setting up a production unit or service facility abroad ('hierarchy' or internalization) instead of international trade ('market') should allow to reduce transaction costs which are usually related to collecting information, negotiating contracts and solving conflicts, at least when they are sufficient to compensate for the coordination costs that go together with FDI activities via subsidiaries (Casson, 1995). These information costs are crucial for understanding and carrying out the international expansion of companies, because they are not only related to the investment decision as such, but also to the implementation of that decision. The information costs particularly concern 'uncodified' and 'undiffused' knowledge which is often embedded in the social structure, related to the cultural context that constitutes informal barriers to international trade and investment (Griffiths et al., 1998). The access to this information/knowledge not only yields a reduction of the risks involved in the internationalization process, but also provides a vehicle for acquiring internal and external resources and opportunities for combining them (Eriksson et al., 1997). Therefore, the propensity or the ability



of a firm to 'transplant' its value added activities abroad via FDI is largely determined by the firms' perception of and capability to overcome information/knowledge costs that are present abroad.

A social network can be considered as a set of linkages that either directly or indirectly connects entrepreneurs to their social groups that are generally based on e.g. affection, friendship, kinship, geographical proximity, cultural similarity, education, etc. The new institutional approach has recognized that the social network of entrepreneurs may boost the economic efficiency of firms in business relationship and allow them to solve the co-ordination problems in a better way. The social networks of entrepreneurs have therefore been considered in the literature as a source of competitiveness of firms, because it can provide entrepreneurs with information, business opportunities and resources in term of social capital (Burt, 1992), knowledge (Sohn, 1994) and the government's favourable attitude and policy (Boddewyn, 1988). The resources provided by a social network are different from the 'traditional' tangible assets, because they are intangible and jointly developed and owned by its members who tend to share the same cultural value and business philosophy and practices.

Among social networks of entrepreneurs, the groups of migrants in a particular foreign market or region, i.e. the ethnic network, can be considered as a vehicle to promote international business activities, e.g. foreign trade and FDI. The ethnic network is therefore able to stimulate FDI by providing foreign investors with important information about the host market, local government regulations, and potential business partners. This crucial information may otherwise be difficult or costly to obtain (Rauch, 2001, Rauch and Casella, 2001, Tong, 2005, Gould, 1994).

In addition to access to low cost/free information and resources, the cultural similarity and common business philosophy and practices among members of an ethnic network may help the entrepreneurs in the initial steps to enter into a co-operative arrangement, while high trust can sustain an equilibrium of honesty and openness to avoid opportunistic behaviour and to encourage partners to share their tangible and intangible assets. Because an ethnic network can provide community enforcement of sanctions to deter violations of contracts in a weak international legal environment (Greif, 1993, Rauch and Trindade, 2002), it can be considered not only as a way to ensure the contract enforcement with lower costs and higher effectiveness, but also as a mechanism to facilitate coordination and trust in international business transactions. Yet, trust itself is not costless, as it has to be developed over time as social bonds strengthen through shared norms and/or similar values (Larson, 1992).

A number of empirical studies show that not only the overseas Chinese and Indians have facilitated FDI between both the host countries and the country of origin, but that also many other ethnic groups living outside their countries of origin have caused such effects. A study (Buch et al., 2006a) on state-level German data showed that FDI and migrants have a tendency to agglomerate in specific regions, the stocks of inward FDI into Germany are higher in those states with a large foreign population. It was found that especially this presence of DFDI tends to be highest in states where migrants from the same country of origin are living. A study about on the link between FDI and migrants in the US (Javorcik et al., 2011) established that the volume of US FDI abroad is positively correlated with the stock of migrants from the partner country present in the US. These data further point out that the relationship between FDI and migration is stronger for migrants with a tertiary education. Thus several studies confirmed that ethnic networks serve as an important channel of information about business conditions and opportunities abroad and may create additional FDI flows. In addition to the FDI-creation effect, the ethnic networks substitute to some extent for the lack of cultural proximity between home and host countries and provide incentives for firms and migrants to locate in specific countries or regions, showing a positive effect on agglomeration of foreign direct investment in the host nations.

Among cross-border co-ethnic networks, the overseas Chinese have drawn most attention from scholars, journalists and policy decision makers, because of their vigorous networking activity and their commercial successes in Southeast Asia. Research in Southeast Asian economies has identified that networks of migrants are powerful determinants not only in the economic success of ethnic

Chinese entrepreneurs in their countries of residence (Redding, 1990, Redding, 1995, Redding, 1996, Brown, 1995), but also in their internationalization process (Kao, 1993, Yeung and Olds, 2000). The ethnic network of overseas Chinese is also believed to have played a crucial role in promoting FDI. The main evidence of the literature is that the ethnic Chinese networks are significant facilitators of cross-border investments between their home and host countries. Tong's study (2005) clearly showed that the strength of ethnic Chinese networks between country pairs, approximated by the product of the numbers of ethnic Chinese in both countries, is positively correlated with the cumulative amount of their reciprocal FDI. This finding is not limited to countries in Southeast Asia, but is also applicable to other country pairs included in his study, regardless of whether the investment originated from industrial countries or developing economies.

Studies on Chinese migrant entrepreneurs in Eastern European countries have shown that they have not only created new business activities in the host countries through vertical integration with their country of origin, i.e. mainland China, but also mobilized resource through ethnic ties with Chinese business communities in other countries. The cross-border cooperation between migrant entrepreneurs from local Chinese ethnic communities and overseas Chinese networks in other countries has resulted in the geographical agglomeration or co-location, of Chinese firms in Central and Eastern Europe foreign companies (Zhang et al., 2011, Zhang et al., 2012).

The international ethnic entrepreneurship has been a field with growing interest for both academicians and policy makers (Ibrahim and Galt, 2011, Chand and Ghorbani, 2011, Ilhan-Nas et al., 2011, Dai et al., 2011, OECD, 2010). Recent studies introduced a new concept, i.e. 'transnationalism', to analyse the international migration and suggested the success of ethnic entrepreneurs depends on their contacts and associates in another country, primarily their home country (Rusinovic, 2008). The resources of ethnic communities, such as kinship, friendship and community ties, are considered as drivers for international migrant entrepreneurs to establish and operate their businesses. These factors contribute to the formation, maintenance, and success of ethnic entrepreneurs (Teixeira, 2001).

The transnational entrepreneurs present a large proportion of the self-employed persons in the ethnic communities and they are identified as 'the discovery, enactment, and exploitation of opportunities across national borders to create future goods and services' (Keupp and Gassman, 2009, Ilhan-Nas et al., 2011). The ability of certain ethnic groups to create a self-sustaining entrepreneurial class is the basis for the development and vitality of two key mechanisms – ethnic vertical integration and resource mobilization through ethnic ties – which, through a self-sustaining and cumulative process, produce multiplier effects on business creation (Raijman and Tienda, 2003). Overtime, there is shift from low-value to high-value added business involving ethnic business communities, showing higher potential significance of immigrant entrepreneurs for the national and, in particular, the local economies in the countries of settlement (Kloosterman and Rath, 2010).

The network concept has been frequently used to explain the typical organizational structures as well as the internationalization process of Chinese multinational enterprises (Zhang and Van Den Bulcke, 2000). There seems to be general agreement in the literature that the corporate governance and business system of Chinese enterprises are greatly affected by the social and personal relations of their entrepreneurs (Whitley, 1990, Whitley, 1991, Whitley, 1994). Hence, a better understanding on how the ethnic network of Chinese entrepreneurs might assist in reducing transaction costs and substitute for deficiencies in their resource-based ownership advantages is a relevant research topic. An important concern in research on the internationalization process, strategic setting, control and organization is also to find out how and to what extent these social and personal networks affect organizational and management practices of Chinese enterprises in building successful cross-border inter- and intra-firm linkages.

### 3. China's migration, trade and FDI

Over last three decades, China has become an increasingly important part of the global community. By the end of 2011, the total China's international trade of goods reached US\$3,642 billion, which ranked China the largest exporter and second most important importer (after the US) in the World. China's international trade accelerated during the last decade as a result of its adhesion to the WTO, although the recent figure showed that its export growth slowed down - especially to Western European countries - due to the global financial crisis which started in the 2008. China has also been one of the most important host countries for multinational companies. During 2000-2004, the annual inward FDI flow to China reached more than US\$50 billion which has doubled in the last two years, despite a negative growth at the beginning of the global financial crisis. The total inward FDI stock of China reached US\$712 billion, which made China the most important recipient of foreign direct investment among the developing countries. During the mid of the first decade of 21st century, China also emerged as one of the most important sources of FDI. The annual outward FDI flow from China reached about US\$50 billion during recent years, while its total stock amounted to US\$366 billion by the end of 2011, which reached the half of its total inward FDI stock (UNCTAD, 2012). Besides Asia (including Hong Kong and Taiwan), which accounted for 52 per cent of total China's trade flows and 71 per cent of total Chinese outward FDI stock, America and Europe are two most important trade and investment partners for China. America (including Latin-America) accounted for one of fifth of China's total imports and exports in 2010, while Europe had a similar share of 19 per cent. In terms of capital movement, the total Chinese outward FDI stock in America reached US\$69 billion, while it amounted to US\$24.5 billion in Europe. These two continents accounted for 16 and 6 per cent of total Chinese OFDI respectively.

The globalization of the Chinese economy not only generated trade and FDI flows, but also international migration. The interaction between goods, capital and people has not only significantly changed China's global position, but also changed its relationship with other partners. Table 1 provided an overview of changing position of China in the global migration over last three decades. As compared to the rapid growth of trade and FDI, the migrant flows from China have also increased significantly, although its growth rate has been less important. According to the Department of Economic and Social Affairs of the United Nations (2012), the stock of Chinese emigrants nearly doubled during the last three decades, i.e. from 4.3 million in 1990 to 8.4 million in 2010<sup>4</sup>.

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<sup>4</sup> According to Taiwan's Overseas Compatriot Affairs Commission (2012), the total number of Overseas Chinese living outside of Mainland China, Hong Kong and Taiwan reached 40.31 million by the end of 2011. This data coverage and methodology as well as the definition of migrants in this estimate are clearly different from that of the UN.

**Table 1. Chinese migrant population and its changes over time, 1990-2010**

Destination	Number of migrant and geographical distribution						Changes over time (%)	
	1990	%	2000	%	2010	%	1990-2000	2000-2010
<b>WORLD</b>	<b>4,252,389</b>	<b>100.00</b>	<b>5,854,387</b>	<b>100.00</b>	<b>8,432,427</b>	<b>100.00</b>	<b>37.67</b>	<b>44.04</b>
More developed regions	1,267,042	29.80	2,451,968	41.88	4,429,960	52.53	93.52	80.67
Less developed regions	2,985,347	70.20	3,402,419	58.12	4,002,467	47.47	13.97	17.64
<b>AFRICA</b>	<b>17,319</b>	<b>0.41</b>	<b>41,570</b>	<b>0.71</b>	<b>54,568</b>	<b>0.65</b>	<b>140.03</b>	<b>31.27</b>
Eastern Africa	5,192	0.12	24,067	0.41	26,140	0.31	363.54	8.61
Middle Africa	449	0.01	472	0.01	627	0.01	5.12	32.84
Northern Africa	2,564	0.06	3,664	0.06	4,766	0.06	42.90	30.08
Southern Africa	7,751	0.18	11,223	0.19	20,057	0.24	44.79	78.71
Western Africa	1,363	0.03	2,144	0.04	2,978	0.04	57.30	38.90
<b>ASIA</b>	<b>3,062,115</b>	<b>72.01</b>	<b>3,608,324</b>	<b>61.63</b>	<b>4,436,736</b>	<b>52.62</b>	<b>17.84</b>	<b>22.96</b>
Central Asia	4,687	0.11	4,446	0.08	7,291	0.09	(5.14)	63.99
Eastern Asia	2,335,783	54.93	2,776,069	47.42	3,381,327	40.10	18.85	21.80
South-Eastern Asia	552,780	13.00	642,304	10.97	846,311	10.04	16.20	31.76
Southern Asia	166,354	3.91	166,959	2.85	185,888	2.20	0.36	11.34
Western Asia	2,511	0.06	18,546	0.32	15,919	0.19	638.59	(14.16)
<b>EUROPE</b>	<b>234,739</b>	<b>5.52</b>	<b>412,229</b>	<b>7.04</b>	<b>886,882</b>	<b>10.52</b>	<b>75.61</b>	<b>115.14</b>
Eastern Europe	75,460	1.77	71,860	1.23	81,424	0.97	(4.77)	13.31
Northern Europe	31,957	0.75	78,921	1.35	187,832	2.23	146.96	138.00
Southern Europe	40,744	0.96	100,765	1.72	360,335	4.27	147.31	257.60
Western Europe	86,578	2.04	160,683	2.74	257,291	3.05	85.59	60.12
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>49,102</b>	<b>1.15</b>	<b>66,599</b>	<b>1.14</b>	<b>85,421</b>	<b>1.01</b>	<b>35.63</b>	<b>28.26</b>
Caribbean	5,706	0.13	7,818	0.13	10,826	0.13	37.01	38.48
Central America	11,486	0.27	15,989	0.27	25,136	0.30	39.20	57.21
South America	31,910	0.75	42,792	0.73	49,459	0.59	34.10	15.58
<b>NORTHERN AMERICA</b>	<b>785,099</b>	<b>18.46</b>	<b>1,482,641</b>	<b>25.33</b>	<b>2,594,324</b>	<b>30.77</b>	<b>88.85</b>	<b>74.98</b>
<b>OCEANIA</b>	<b>104,015</b>	<b>2.45</b>	<b>243,024</b>	<b>4.15</b>	<b>374,496</b>	<b>4.44</b>	<b>133.64</b>	<b>54.10</b>
Australia and New Zealand	96,821	2.28	221,498	3.78	363,458	4.31	128.77	64.09
Melanesia	77	-	101	-	122	-	31.17	20.79
Micronesia	6,289	0.15	20,336	0.35	9,669	0.11	223.36	(52.45)
Polynesia	828	0.02	1,089	0.02	1,247	0.01	31.52	14.51

Source: United Nations, Department of Economic and Social Affairs (2012)

During the last three decades, Chinese migration has accelerated, i.e. the stock of Chinese migrants increased by 37.7 per cent during 1990-2000 and 44 per cent during 2000-2010. The most important destination of Chinese migrants is Asia, which accounted for 52.6 per cent of the total stock of Chinese

migrants by the end of 2010. Yet, the share of Asia has declined over last three decades, as this proportion was 72 per cent in 1990 and 58 per cent in 2000. Within Asian continent, Eastern Asia took a dominant share (i.e. 40 per cent), while the top three destinations, i.e. Hong Kong, Japan and Singapore, accounted respectively for 26.4, 6.9 and 4.8 per cent of total Chinese migrants. As compared to Asia, the North America has increasingly become a very important host region for Chinese migrants. The region hosts about one third of total Chinese migrants, i.e. 30.8 per cent in 2010, while the relative proportion was only 18.5 and 25 in 1990 and 2000, while the US and Canada host respectively 23.3 and 7.5 per cent of total migrants from China by the end of 2010. The importance of Europe has also increased as its share in the stock of Chinese migrants doubled during the last three decades, i.e. from 5.5 per cent in 1990 to 10.5 per cent in 2010. The most rapidly growing destinations of Chinese migrants in Europe are North Europe, with growth of 147 between 1990 and 2000 and 138 per cent during 2000 and 2010, as a result of rapid increase of Chinese migrants to the UK. China's migration to Australia and New Zealand also experienced rapid growth, especially during 1990-2000. These two countries accounted for 4.3 per cent of Chinese migrants. China's migration to Africa is still at a very low level, as it accounts only for 0.65 per cent in the total Chinese migrant population. Moreover, this share has likely decreased over the last decades, i.e. from 0.71 per cent in 2000. The rapid growth of Chinese migration to Africa occurred in the 1990-2000, especially in Eastern and sub-Saharan regions (see further). Overall, the most rapid growth of Chinese migration occurred in developed regions, i.e. North America and Europe which have become two most important trade and investment partners of China during the last three decades, while Chinese migrants are likely less favourable for African countries and other less developed economies as their destination.

### 3.1. Chinese migrants in Europe

A more comprehensive data set about the evolution of overseas Chinese by Taiwan's Overseas Compatriot Affairs Commission confirmed the trends from the UN migration data. Over last 50 years, Chinese migrant flows substantially changed (Figure 1). Europe and America became the most favourable destination of Chinese migrants in the 1980s, while Asia remained the most important host region. The fluctuation of Chinese migrant in Africa is quite important as a result of rapid change of economic and political situation and the attitude of the host government towards Chinese migrants in some African countries (see further).

Europe hosts a total number of 887 thousands Chinese migrants by the end of 2010 (UN, 2012). The largest European host countries for Chinese migrants are Italy (196 thousand), Spain (144 thousand), Germany (136 thousand), the UK (116 thousand), Russia (61 thousand), France (47 thousand) and The Netherlands (38 thousand)<sup>5</sup>. Southern Europe is the most important destination of Chinese migrants in Europe, accounting for 40 per cent of the total stock of Chinese migrants in the European continent, followed by Western Europe (29 per cent), North Europe (21 per cent) and Eastern Europe (9 per cent). The most important host countries in the Eastern Europe, excluding Russia, are Czech Republic, Hungary, Slovakia, Bulgaria and Romania. Yet, the share of Eastern Europe in China's total migrants in Europe has substantially declined over the last three decades, i.e. from 32 per cent in 1990 to 17 per cent in 2000 and 9.2 per cent in 2010. The migration from China to Western European countries has been also decreased, i.e. from 37 per cent of the total Chinese migrants in Europe in 1990 to 29 per cent in 2010, especially France, of which the share declined from 17.8 to 5.3 per cent. Yet, the share of Germany doubled during the same period, i.e. from 7.9 per cent to 15.3 per cent, as a result of its strong trade and investment links with China. As compared to the Eastern and Western Europe, Northern Europe has rapidly become a favourable destination of Chinese migrants, as its share in the total Chinese migrant stock in Europe increased from 13.6 to 21.2 per cent during the period of 1990-2010, while the largest destination of Chinese migrants in this sub-region is

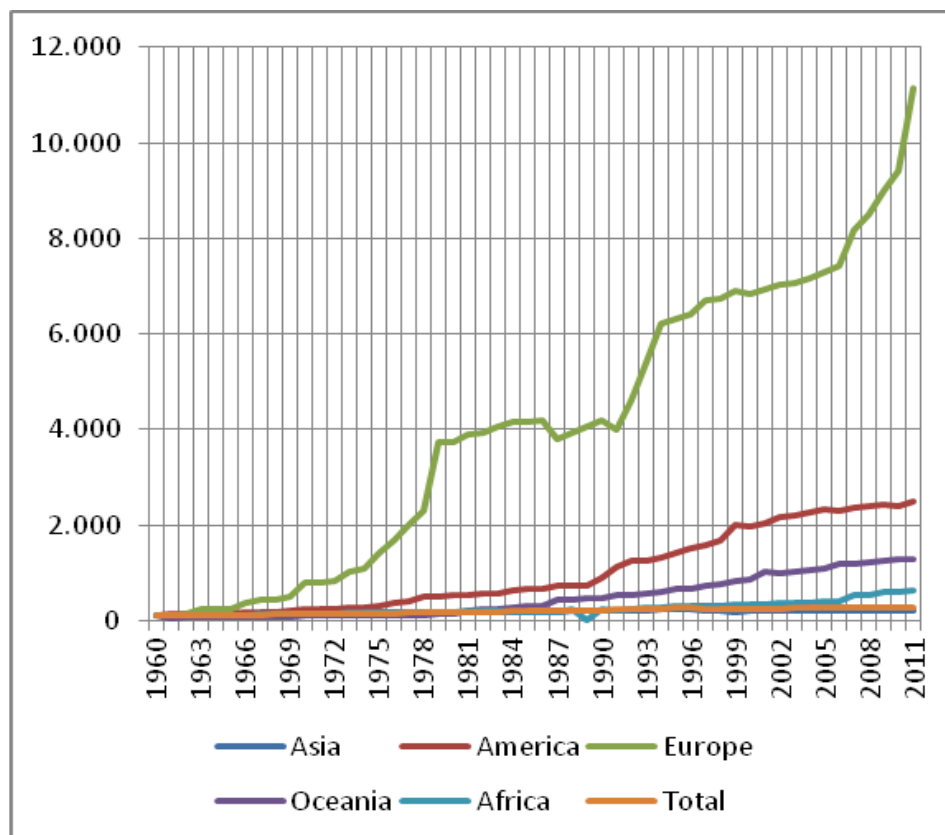
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<sup>5</sup> These data are quite different from the estimates of Taiwan's Overseas Compatriot Affairs Commission, which indicated that Europe hosts about 2 million overseas Chinese, including those from Taiwan and Hong Kong.

the UK which recorded a growth rate of 118 per cent during the 1990-2000 and 126 per cent during 2000-2010. Chinese students constitute a substantial part of the migration from China to the UK, which has become the most important destination for Chinese students in Europe. The Chinese migrants to South Europe also increased rapidly, especially during the last decade. The total number of Chinese emigrant in this region went up by 258 per cent between 2000 and 2010, while the share of this sub-region in the stock of Chinese migrants in Europe increased from 24.4 to 40.6 per cent during this period. Two large economies of the region, i.e. Italy and Spain, experienced the most rapid growth of Chinese migrants. The total number of migrants from China to Spain, for instance, increased by 50 times between 1990 and 2010, i.e. from 2,800 to 144 thousand. A large part of Chinese migrants in these two countries are entrepreneurs and workers who have been involved in manufacturing and trading activities in the textile industry (e.g. cloths, bags and footwear), such as in Prato area.

The migration from China to Europe dates back to the early nineteenth century or even earlier. The first Chinese community was established in Liverpool in the late 1850s by migrants mainly from the port city of Tianjin and Shanghai, when Alfred Holt and Company employed a large number of Chinese seamen while establishing the Blue Funnel Shipping Line to import cotton, silk and tea from China (Christiansen, 2003). However, the migration from China to Europe proceeded at a rather slow tempo till the Second World War. Only from the 1960s onwards, did Europe experience several waves of Chinese immigrants with a strong rate of growth (Figure 1). During the last 50 years, Chinese immigration to Europe increased by 7.9 per cent annually (CAGR) as compared to only 1.7 per cent for the total number of Chinese migrants in the world. As a result, the number of overseas Chinese living in Europe rose from 14 thousand in 1960 to 1.32 million in 2010, excluding Russia (Taiwan's Overseas Compatriot Affairs Commission, 2011).

**Figure 1. Changing geographical patterns of Chinese migrant flows (index 1960=100), 1960-2011**



Source: Taiwan's Overseas Compatriot Affairs Commission (2012)

During the previous century, the first wave of Chinese migrants to Europe started in the 1960s. At that time they arrived mainly from former British, French and Dutch colonies as refugees, e.g. French Indochina and Dutch Indonesia, because in these countries they were to various degrees exposed to post-colonial nationalism, and either expelled or forced to assimilate. The number of Chinese migrants from these Asian countries went up in the 1970s, when different conflicts occurred, especially in Vietnam, Laos and Cambodia. Besides this main migration stream, a limited number of Chinese specialized cooks and other workers were recruited from Southeast Asia, especially in the New Territories of Hong Kong and Macau, to work in the expanding Chinese catering sector in Europe in the 1960s and 1970s. Before the 1980s, Chinese migrants were spread out in several Western European countries, mainly in the UK, France and the Netherlands and their economic activities were mainly concentrated in ethnic niche sectors or markets, such as Chinese restaurants, retail trade of ethnic products, and services to Chinese communities. These early migrants formed a quite homogenous group as most of them were unskilled and came from the rural areas of Zhejiang and Guangdong provinces on the one hand, and from Hong Kong, Macau and Taiwan and other Asian neighbouring countries on the other hand (Guerassimoff, 2003b, Guerassimoff, 2003a, Christiansen, 2003). Several factors contributed to the expansion of the Chinese community in Europe during last decades. First, shortly after the open door policy was launched by Deng Xiaoping in 1978, the Chinese government liberalized emigration which had been prohibited since the early 1950s. The relatives of migrants living in China and returned migrants became politically rehabilitated, and were by law granted special social, economic and political privileges (Thunø, 2003, Thunø, 2001). The permission was given to relatives of migrants to leave the country in order to reunite with their family members abroad. As a result of the Chinese government's decision to allow outward mobility and to incorporate them into the domestic development as sources of capital and new technology, the emigration from China to Europe increased rapidly, especially the so-called "chain migration" from a number of Chinese cities, e.g. Wenzhou and Qintian in Zhejiang province, which prior to 1949, had already established emigration links to Europe (Benton and Pieke, 1998).

Secondly, besides the migrants from traditional Chinese emigration areas by way of family reunification schemes, a new wave of entrepreneurial migrants emerged in the 1990s, who often had no connection to the historical, rural-based chains of migration as compared to the earlier Chinese migrant population in Western Europe. These newcomers entered Central and Eastern European countries because of the existence of a visa-free treaty between China and some of these countries, such as Hungary (Nyíri, 2003) during 1988-1992. As a result of the introduction of a more strict migration policy and crackdown on illegal migration after 1992, most of the Chinese migrants moved from one country to another in the region. These "newcomers" even went to Southern Europe, especially Italy via illegal networks (Ceccagno, 2003).

Thirdly, the most remarkable feature of the recent trends in Chinese migration to Europe has been the substantial growth of skilled migrants, including students enrolled in European universities, academic, technical and professional persons (Zhang, 2003). China is now the largest home country of outbound students. By the end of 2010, a total number of about 1.27 million Chinese students left China to study abroad. The main country of destination for Chinese students is the United States, which absorbs more than half of the total Chinese students abroad, while the UK, France and Germany are the most import host countries in Europe. The opening up of the labour market to foreign high skilled persons and changes in related immigration policies in European countries in recent years may even accelerate skilled migration from China and later on play a positive role in the promotion of economic cooperation and cultural exchanges between China and Europe. The arrival of students and highly skilled professionals has not only resulted in the expansion of economic, scientific and technological cooperation, as well as cultural and educational exchanges and cooperation between China and the rest of the world, but also injected "new blood" into China's ethnic communities abroad and by extension to the host countries.

Fourthly, as a result of the transformation of the Chinese economic system and continuous impressive performance of the Chinese economy, the private sector in China has expanded tremendously, together with the emergence of a large number of private entrepreneurs. Because Chinese private enterprises, especially SMEs, have for a long time been discriminated by the Chinese government, e.g. with regard to their access to the state owned banking sector, to government loans and subsidies and to policy support in general, a number of these companies turned to overseas markets to secure their private business on the one hand and to look for new business opportunities on the other hand.

Fifthly, the increase of Chinese direct investment has created new migration flows of managers, employees and workers, and their family members. Although the expatriate community of Chinese owned enterprises, especially of the state-owned enterprises, is quite different from the ethnic community of traditional migrants, - meaning that they often co-exist in a parallel way - these Chinese expatriates have re-enforced the presence of Chinese migrants in Europe and created additional links between the overseas Chinese community and their home country, i.e. China.

In summary, the presence of the ethnic Chinese community in Europe substantially increased during last fifty years and is still growing rapidly. With the arrival of new migrants, especially international entrepreneurs, students and highly skilled professionals and expat managers of Chinese multinational companies, the characteristics of the Chinese ethnic community in Europe is evolving. This might have a significant impact on the economic relationship between China and Europe on the one hand and the migrant policy of the host European countries on the other hand.

FDI and trade data at the country level reveal that the importance of a particular nation in the total Chinese migrants and its relative share in total Chinese FDI stock and Trade in Europe is positively linked, i.e. a country with a higher proportion of Chinese migrants in Europe has attracted a larger Chinese FDI stock (Table 2). The top ten host countries of Chinese migrant in the EU received 90 per cent of total Chinese migrant population in Europe, while their shares in China's outward FDI and trade are respectively 54 and 80 per cent. The positive relation between the number of overseas Chinese living in the host countries and the amount of Chinese FDI may to some extent reflect the contribution of the ethnic community in attracting Chinese capital to the service and manufacturing industries. At the country level, for instance, Russia received about 7 per cent of the total Chinese migrants in Europe and hosts 18 per cent of Chinese FDI stock, while the relative proportion for the UK is 13 per cent and 9 per cent. Yet, the largest host country of Chinese outward FDI in Europe is Luxembourg. It received about 37 per cent of Chinese total investment stock, but hosts a very small proportion of Chinese migrants, i.e. less than 0.01 per cent. It is likely that Luxembourg as an established financial centre with an advantageous fiscal system is used by Chinese investors as a platform for holding companies, not a manufacturing or service location for Chinese companies as such. Also a Bank of China branch in Luxembourg has been established for more than 20 years. The positive relation between immigration and investment has also been observed in Germany, Sweden and Hungary. Yet, some other European countries, such as France, Italy, Spain, and the Netherlands, although they host a relatively high proportion of Chinese migrants, did do not receive a high proportion of Chinese FDI.



**Table 2 Top destinations of Chinese migrants and their impact on China's trade and FDI in Europe, 2010**

	No. of migrants		China's outward FDI		Bilateral trade	
	Number	%	Stock (US\$ billion)	%	Value (US\$ billion)	%
Italy	195,744	22.07	0.22	1.42	45.15	9.41
Spain	143,996	16.24	0.25	1.59	24.42	5.09
Germany	135,807	15.31	1.50	9.55	142.30	29.66
UK	116,053	13.09	1.36	8.66	50.07	10.44
Russian Federation	61,971	6.99	2.79	17.74	-	-
France	47,246	5.33	0.24	1.53	44.97	9.37
Netherlands	38,317	4.32	0.49	3.10	56.18	11.71
Sweden	25,760	2.90	1.48	9.41	11.62	2.42
Ireland	18,509	2.09	0.14	0.89	5.41	1.13
Portugal	15,795	1.78	0.02	0.14	3.27	0.68
Sub total	799,198	90.11	8.49	54.03	383.38	79.90
Europe total	886,882	100.00	15.71	100.00	479.80	100.00

Source: MOFCOM (2012) and United Nations, Department of Economic and Social Affairs (2012), UNCTAD (2012)

A recent study on Chinese OFDI in Europe (Zhang et al., 2012, Zhang et al., 2011) on the basis of the Amadeus database clearly showed a number of interaction between ethnic Chinese business communities in Europe and Chinese direct investors at corporate level. First, the availability of ethnic businesses and entrepreneurial networks and strong cultural ties and historic links with the home country are likely to present locational advantages, especially for small and medium sized firms when they enter and operate in a foreign business environment. These firms trended to co-locate with firms from the same home country in European cities where there is a high concentration of Overseas Chinese. These locational advantages are particularly useful for firms entering new markets. This is even more so for emerging multinational companies which usually lack the firm specific advantages that are necessary to successfully cope with the cultural and institutional distance that separates them from developed countries in Europe. The potential of locating in an established ethnic business community may be an important determinant of the location decision for small emerging multinational enterprises. Therefore, it is reasonable to indicate that the Chinese immigrant entrepreneurs to European countries could become an important new source of FDI and a catalyser to create business clusters by attracting new investment. In the Central and Eastern Europe, Chinese migrants are concentrated in certain parts of capital cities, e.g. in the rust belts of the 8th and 10th districts of Budapest, to benefit from good communication and transport infrastructure on the one hand and easy access to information and suppliers from China on the other hand. The Amadeus dataset showed that 97 per cent of Chinese owned enterprises in Hungary are located in the Budapest area, while this proportion is 89 per cent in Romania for Bucharest, 86 per cent in Russia in Moscow and 82 per cent in Bulgaria for Sophia. By contrast, Chinese owned companies in Western Europe are less agglomerated in capital cities, e.g. only 42 per cent of Chinese companies in the UK are located in London, while this share is even lower for Germany. The agglomeration of Chinese companies in wholesale or distribution activities resulted in a number of large Chinese communities in the capital cities of some Eastern and Central European countries, while the emergency of overseas Chinese population has in return attracted new investors. This self-enforcement can be considered as an on-going process for the geographical concentration of Chinese FDI and migrant entrepreneurs. Yet, this agglomeration trend is still quite “volatile”, as it depends on the immigration policy of host countries and their business environment. Over the years, the original “open air” and rather primitive markets for Chinese products in Central and Eastern European countries have been gradually replaced by trade and exhibition centres, which were established by Chinese entrepreneurs sometimes with supports

from the host country and Chinese governments. These centres are specialized in the wholesale of Chinese products with showrooms and office space for Chinese and local distributors and wholesalers. Their target markets are upgrading from low end to branded products.

Second, the study also showed that the migrant entrepreneurs from China played a role as business partners in formulating joint ventures with individuals and companies from China and their participation in the management of these businesses. Actually, a total number of 1,304 overseas Chinese individual and companies are partners in Chinese joint ventures in Europe. Overseas Chinese play an important role by introducing Chinese investors into their residence countries and by participating in the investment of joint ventures to share their financial resources and market knowledge. It is also interesting to find that overseas Chinese from third countries also participate in establishing joint ventures. This type of cross-border cooperation between Chinese and overseas Chinese partners demonstrates the relevance of Chinese ethnic networks in the internationalization process of Chinese corporate companies or family enterprises as a self-supporting or mutual enhancement mechanism. Overseas Chinese quite often facilitate or bridge the gaps between Chinese investors and foreign investors from both local and third countries.

Third, Overseas Chinese also participate in the management of Chinese companies in Europe. According to the Amadeus database, two thirds of 426 overseas Chinese board members also function as executive directors. About two fifths of these overseas Chinese executives come from European host countries, i.e. they belong to local Chinese communities, while the other three fifths are from third countries, especially Hong Kong and Taiwan. The participation of local overseas Chinese in the management of small and private owned Chinese companies might be the result, not only from their contribution as shareholders, but also as entrepreneurs. The role of overseas Chinese in large and medium sized companies, especially in high-tech manufacturing subsidiaries, might be determined by other motivations or needs. For the high tech companies which often result from the take-over of existing firms, the post-acquisition management could be a huge challenge with regard, e.g. the integration of the acquired companies into the value chain of the acquiring companies, especially when the cultural distance is high. The role of overseas Chinese companies and professional managers from greater China can be important, as they have a longer experience in doing business in European or international markets as compared to companies from mainland China. Therefore, their familiarity with Western multinational companies and markets on the one hand, and their cultural proximity with Chinese companies on the other hand provides them with unique position as “intermediary” to bridge the differences between Chinese and European partners. This was already the role of many overseas Chinese companies, especially from greater China, when Western companies started to invest in mainland China.

### **3.2. Chinese migrants in Africa**

China's migration to Africa has a long history. The earliest confirmed Chinese migrants to African coasts arrived with the Dutch East India Company in the Cape, now part of South Africa. Small numbers of convicts and company slaves arrived in the mid- to late-17th century, followed by a small number of contract labourers and artisans who arrived in South Africa's early colonies in the early to mid-19th century. During 1904–1910, over 63,000 contract miners were imported to the Transvaal to work in golden mining and later most of them were repatriated to China. Most of these “coolie” migrants were from the North China, such as Shandong and Hebei, followed by Guangdong and Fujian. Although the total number of Chinese migrant in Africa was small, especially after the repatriation of miners (i.e. only about 1,860 of them stayed in the Transvaal), this history is significant in terms of understanding the context into which Chinese migrants entered South Africa and other African countries to be gradually integrated into South Africa's mixed race population. By the end of 1949, the total number of overseas Chinese in Africa reached 27,000, who mostly were residing in South of Africa, Madagascar, Reunion, etc. (Park, 2009, Li, 2000). During Mao's time, i.e. between 1950s-1970s, China's individual migration to Africa was stopped, while the Chinese government sent about 150,000 technicians and workers to Africa within its aid programs in the agriculture, industrial

projects and infrastructure development. Yet, almost all of these Chinese workers returned to China after completing their contracts. Only in the 1970s, migrants from Taiwan and Hong Kong started to enter the African continent, followed by Chinese migrants after China liberalized its emigration legislation in 1985.

The current migration flows from China to Africa changed its scale and patterns as a result of China's economic development on the one hand and its increasing engagement in Africa on the other hand. The official data from United Nations (Department of Economic and Social Affairs, 2012) showed that the total number of Chinese migrants in Africa reached 54,568 by the end of 2010 (Table 3), while the estimates vary between 150,000 to 580,000 according to different data sources and methodologies (Park, 2009). About half (47.9 per cent) of Chinese migrants in Africa are concentrated in Eastern African countries, especially Mauritius (40.6 per cent) and Madagascar (5.7 per cent). South Africa and Botswana are two very important destinations of Chinese migrant in South African sub-region, as they host respectively 31 per cent and 5.5 per cent of Chinese migrants in Africa. Western African countries host about 3,000 Chinese migrants (5.5 per cent), of whom most are concentrated in Ghana (3.9 per cent). Northern African sub-region accounts for about 8.7 per cent of total Chinese migrant population in Africa, where the most important destination is Libya (5 per cent). Clearly Chinese migrants in Africa are highly concerted in a small number of countries, the top ten destinations account for 96 per cent of total Chinese migrant population in Africa. The positive relation between Chinese migration, trade and FDI has been also observed in the case of Africa. The top 10 African host countries of Chinese migrants received 56 per cent of Chinese outward FDI stock in Africa, while the bilateral trade of these countries with China represented 43 per cent of Chinese trade with African countries in 2010.

**Table 3 Top destinations of Chinese migrants and their impact on China's trade and FDI in Africa, 2010**

	No. of migrants		China's outward FDI		Bilateral trade	
	Number	%	Stock (US\$ billion)	%	Value (US\$ billion)	%
Mauritius	22,137	40.57	0.28	2.15	0.40	0.32
South Africa	16,913	30.99	4.15	31.83	25.70	20.25
Madagascar	3,095	5.67	0.23	1.76	0.50	0.40
Botswana	3,024	5.54	0.18	1.38	0.42	0.33
Libya	2,703	4.95	0.03	0.23	6.58	5.18
Ghana	2,130	3.91	0.20	1.53	2.06	1.62
Egypt	969	1.78	0.34	2.61	6.96	5.48
Algeria	606	1.11	0.94	7.21	5.18	4.08
Mauritania	380	0.70	0.05	0.38	1.25	0.99
Zambia	366	0.67	0.94	7.21	5.95	4.69
Sub total	52,323	95.89	7.34	56.29	55.00	43.34
Total	54,568	100.00	13.04	100.00	126.88	100.00

Source: MOFCOM (2012) and United Nations, Department of Economic and Social Affairs (2012), UNCTAD (2012)

The new migration flows to Africa became heterogeneous, consisting of at least three types of migrants, i.e. temporary contracted labourers, entrepreneurs and transit migrants (Ma, 2008). According to the official data of the Chinese government, there were about 850 thousand Chinese contracted labourers abroad, while the accumulated number of these labourers reached 6.39 million by the end of 2012 (MOFCOM 2012). Yet, it is clear that these contracted labourers are not included in the UN migration data. More detailed data from MOFCOM showed that 778 thousands Chinese

technicians and workers were sent abroad in 2009 under the temporary labour export contracts, of whom 187 thousand in Africa which accounted for 24 per cent of total Chinese temporary overseas contracted labourers. More than half of Chinese contracted labourers are based in North Africa and highly concentrated in Algeria, i.e. close to 50 thousand or 27 per cent, followed by Angola (31 thousand or 17 per cent), Libya (24 thousand or 13 per cent) and Sudan (20 thousand or 11 per cent) (MOFCOM, 2010). The number of contracted labourers and their location changes frequently. Almost all these labour migrants stay for the duration of their contracts which are usually about 1 to 3 years. Yet, the use of Chinese contract labourers in Africa has become one of the most contentious issues in contemporary China-Africa relations, particularly in view of high levels of unemployment in many African countries (Park, 2009).

Most of Chinese contracted labourers are linked to large projects in construction, mining and agriculture sectors. They are often employed by about 800 Chinese multinational enterprises operating in Africa (Mohan and Tan-Mullins, 2009, Sun, 2011), which are mostly large state owned enterprises with the backing of the Chinese government. Chinese investment in mining and oil sectors in Africa has drawn a lot of attention from Western media and created tensions sometimes with local communities, while Chinese workers in these sectors have become targets for violent and criminalized animosity among Africans, such as frequent kidnappings of oil workers in southern Nigeria. Another major growing sector with high input of Chinese labourers are the construction and infrastructure sectors, in which Chinese SOEs and private firms have become important and influential players in Africa. The success of China's companies, particularly state-owned enterprises (SOEs) in African construction and infrastructure sectors can be attributed not only to cost competitiveness in overall bidding price and access to cheap capital through Chinese state-owned banks, but also the use of skilled low cost labour and cheap building materials from China (Centre for Chinese Studies, 2006, CHEN et al., 2009). Chinese state owned enterprises have major infrastructure projects in most of African countries, which are most funded by the ExIm (export-import) bank at 'marginally concessional' rates, and in many cases funded through natural resource deals. Chinese construction companies were found to rarely compete with indigenous construction companies, which usually lack the capacity for large scale construction projects, in the initial stage of their engagement in an African country. Yet, Chinese small and medium enterprises (SMEs) and private construction firms have also emerged in some African countries, such as in Namibian and Tanzania, where they compete with local construction firms (Dobler, 2008, Baregu, 2008). Chinese migrant laborers can be also found in agriculture and manufacturing activities in export processing zones (e.g. Mauritius), where they are in direct competition with relatively unskilled African labour.

Besides the contract labourers, Chinese migrants in Africa are mostly independent entrepreneurs and active in trade, services and light manufacturing. They have established themselves in countries, such as Morocco, Ghana (Colombant, 2006), Angola (Corkin, 2008), Cameroon, Namibia and Cape Verde (Haugen and Carling, 2005, Mung, 2008, Mohan and Tan-Mullins, 2009). These migrants were not necessarily entrepreneurs in China, but upon migrating to Africa (and other parts of the globe) they establish their own businesses, commonly in retail or wholesale trade of Chinese-made goods, rather than entering the wage labour market due to the lack of fluency in local languages, low capital required for start-up, as well as linkages to Chinese manufacturers (Park, 2009). These migrant entrepreneurs have followed their own paths to Africa and the primary factors driving private investment are African market opportunities, high competition within China and the presence of a strong entrepreneurial spirit (Gu, 2009). The migration of small traders involved in the export of Chinese products has resulted in the establishment of hundreds of Chinese shops across Africa. Some Chinese migrants also run restaurants and Chinese traditional medicine clinics/outlets. This phenomenon is quite similar to the migration of Chinese traders to Central and Eastern Europe in the 1990s, such as in Hungary, Poland and Romania. The social network in this migrant business is very important, as the 'entrepreneurial migrants' term incorporates not only the 'entrepreneur' who initially sets up the business, but also workers in the business who often include relatives, family friends, or people from the same village/town in China. The growth of overseas Chinese enterprises in Africa

actually creates a demand for labour (rather than the demand emanating from the general labour market in the host country) and thus encourages, via social and economic networks, further labour migration from China (Ma, 2008).

Chinese entrepreneurs in Africa are expected to contribute to the local economy by providing important source of additional investment capital at a time when Aid alone is unable to meet Africa's perceived shortfall; offering employment opportunities; alleviating poverty-alleviation; generating a significant multiplier effect through the local economy by way of local sourcing and provision of local management expertise; engaging in technology transfers; and inculcating production, management, distribution and marketing skills and innovation knowledge (Gu, 2009). Yet, the result is likely quite limited and the concern has arisen in some countries and have been exploited by African politicians, mainly because of the massive arrival of cheap goods from China, which has been often considered as a "dumping" to damage the development of indigenous industry. Yet, recent trend showed that some Chinese companies stated to move 'upwards' from low value-added products towards middle-to-high value-added goods. This new trends could have a sustainable demand in African and other markets. This has been already happened in the Central and Eastern Europe (Zhang et al., 2011).

### **3.3. Impact on local employment**

It is evident that FDI and trade activities may generate new jobs. According to MOFCOM's data (MOFCOM, 2012), Chinese multinational companies created 1.22 million jobs abroad by the end of 2011, of which 888 thousand are foreign employees employed. According to the same report, 1,600 Chinese companies had 50 thousand employees in the 27 EU member countries in 2011. Yet, the concerns of local business communities and politicians of some host countries about Chinese investors have been often related to their negative impact on the local labour market. In Africa, although migrant entrepreneurs from China are not able or willing to enter established wage labour market to compete with local labour, they rarely create new jobs because of the limited size of their business or their reliance on migrant workers from China through social networks. Moreover Chinese migrant entrepreneurs have been often considered as unfair competitors towards local businesses, while the decline of local traditional industries could result in job losses (Park, 2009, Ma, 2008).

The similar concerns about unfair competition from Chinese migrant entrepreneurs have also been observed in some South and Eastern European regions, such as e.g. in Prato, Elche and Budapest, when Chinese migrants have developed some manufacturing clusters in labour intensive industries (e.g. garments and fashion clothing, shoes, bags, etc.). The agglomeration of Chinese migrants and their business activities on the one hand and the lack of linkages with local business communities often created tensions between the ethnic Chinese entrepreneurs and local business people (Johanson et al., 2009). This often resulted in the introduction of a stricter immigration policy and enforcement of labour regulations by the host governments. The changes to a more regulated business environment and especially the emergence of certain mistrust and sometimes a hostile atmosphere in the local business community may even result in the relocation of migrant entrepreneurs and business activities as happened in some cities. For instance, after violent protests erupted at Elche in Spain against Chinese importers and distributors in the shoe business, the Chinese business community moved to Fuenlabrada in Madrid and a new distribution centre of Chinese footwear and clothing was established with about 700 companies active in wholesale (Financial Times, 2011). Yet, from a long term perspective, the increasing integration of Chinese migrant entrepreneurs into local business communities and their upgrade from low-end market to higher value added activities might inevitably contribute to job creation in the local market.

#### 4. Conclusion

The literature review and empirical data confirmed that the Chinese migrant flows have significantly increased during last decades as a result of intensified trade and FDI relationship between China and the rest of the world. As compared to traditional migration flows, recent migrants from China are quite distinctive because they are mainly composed of entrepreneurs and high-skilled (potential) labourers. It is widely recognized that entrepreneurship contributes to job creation, innovation and economic growth. Within the on-going globalization process, Chinese migrant entrepreneurs emerged as an important source of capital, knowledge, market information and business opportunities, especially in developing economies, especially in African countries. The international investment of Chinese individuals and family businesses, often combined with migration purpose, has also become more and more important in developed countries. Although their investment is often small sized and concentrated in international trade activities, their contribution to the economy of their host countries can not be neglected as they have created new business opportunities with China for the local economy and companies. However, this role of international entrepreneurs was not always sufficiently taken into consideration by most host governments and local business communities. Moreover, given the fact that Chinese migrant entrepreneurs and family business used to operate with low operating costs to target the low-end market on the basis on their business model in China, their operations in Africa as well as in other countries have been considered as “dumping” Chinese cheap goods into local markets, destroying then local businesses through unfair pricing competition. This has been a major concern of some African and also European host countries (e.g. Hungary, Italy and Spain) and about growing Chinese business communities in their territories.

The surge of Chinese students in Western countries and their potential impact on the local labour market revealed another new development of the migration flows from China. The well-trained Chinese high-skilled labourers, especially new graduates from Western universities, have become a new HR source in the local labour market. They may bring new competence to the local and multinational companies by bridging the cultural and other differences and facilitating businesses dealing with China. Yet, the immigration policy and labour regulation of host countries are still quite restrictive for foreign professionals and workers.

The results of this study have a number of policy implications. First, the immigration policy and labour regulations facing the arrival and growth of this new-type or unconventional migrants, e.g. international entrepreneurs and high skilled labourers from China, need to be re-assessed, taking into consideration of the positive contribution of these new-type of migrants not only to the local economy of host countries, but especially to the trade and FDI relationship between the host country and their country of origin. Second, since the geographical agglomeration of Chinese investors, especially the migrant entrepreneurs appear to be quite strong we suggest that regional authorities might create special facilities and welcome package for these international entrepreneurs. Yet, the concentration of Chinese entrepreneurial companies in some African countries and capital cities in Eastern Europe resulted from the earlier migration flows from China and their economic contribution to the local economy were not yet fully acknowledged by relevant authorities. How to turn this preliminary agglomeration of migrant communities into effective service and industrial clusters with strong links to the local economy has been and is still a challenge for the host government at the regional and national level. Third, given the fact that the ethnic business communities have become important players in prompting transnational entrepreneurship and cross-border business activities, such as trade and FDI, promoting cooperation with local ethnic business communities give ethnic entrepreneurs a head start for participating in transnational economic activities in general, in developing cross-border economic activities in particular. Therefore, promoting international entrepreneurship and linking up with local ethnic business communities need to be an important dimension of the policy mix for the host governments to create positive effects from these growing business communities.

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